

Estonia 2015

Total: 79.4

Political Freedom

Free and Fair Elections : 9.64

People from Estonia enjoy high level of political pluralism and free and fair elections on all levels. Elections are perceived as the most important tool for shaping country's policies. Estonia has unicameral parliament called *Riigikogu* whose members are elected for four year terms. Although the ruling Reform Party lost 3 seats in a Riigikogu at the last elections held in March 2015, they formed the government once again by making coalition with the Social Democratic Party and with the Pro Patria and Res Publica Union. Amendments to the Political Party Act, adopted during 2014, such as lowering the number of members needed to establish a party, reduced deposit required for participation in the elections, or improved policy on public financing of political parties, all aim to increase transparency and competitiveness of elections. However, non-citizens still do not have suffrage in the parliamentary elections, unlike in the local ones. That largely excludes those ethnic Russian residents of Estonia with unregulated citizenship.

Absence of Unconstitutional Veto Players : 10

Complete absence of the unconstitutional veto players is allowing democratic mechanisms in the country to work smoothly. According to the Freedom House, Estonia is one of the least corrupt countries in the European Union. However, several corruption affairs in last two years, concerning abuse of power, blurred that picture. Civil authorities hold an effective control over all security forces in the country. It is currently perceived that the only threat to national security comes from Russia and its tendency to "protect Russian speakers" in Ukraine, considering that Estonia also has significant Russian ethnic minority population.

Freedom of Press : 8.4

The press in Estonia is free. A large variety of independent and unbiased media together with the efficient judiciary and democratic procedures are ensuring that - according to the Reporters without Borders - Estonia is one of the countries of the world with the freest press. An ongoing problem and a discussion in Estonia is about the decision of the Supreme Court, upheld by the European Court of Human Rights, that online portals could be held liable for comments on their

Rule of Law

Independence of the Judiciary : 6.67

The system of justice in Estonia is free from political pressure. Nonetheless it has its own problems. Between 2014 and early 2015, some of its major shortcomings - slow enforcement of law, long trials and pre-trial detentions and overcrowding of prisons – were seriously tackled by a set of new laws. Those included changes to the penal code, Code of Criminal Procedure, Criminal Procedures Act and internal prison code. Penal code was simplified. It reduced the number of crimes by transferring some to the responsibility of misdemeanor courts. Criminal procedures are to be speeded up: the maximum length of a pre-trial detention was cut to four months. To it, surveillance measures in criminal investigations will undergo stricter procedures and scrutiny to prevent abuse. Various measures have added to the simplification and modernization of the system, e.g. extended use of IT and more flexible hire of temporary experts. Not just in the criminal justice system but also in other areas of judiciary the first results were visible already in 2014: the average length of trial in civil and commercial cases was shortened. However, results in the misdemeanor cases are yet to be seen. Measures were also taken to mitigate the overcrowding of prisons. The number of prisoners is decreasing year after year. Standards regarding minimum space per prisoner have been improving with the changed Internal Rules of Prison – the mandatory minimum of 3 sqm is achieved, while the recommended EU standard of 4 sqm will expectedly be reached in 2017.

Corruption : 6.9

Estonia has advanced only a little bit in the Transparency International's Corruption Perception Index between 2013 and 2014, from the place 28 of 177 (score: 68) to the place 26 of 175 (score: 69). Nevertheless it is the least corrupt of all countries admitted into the EU in 2004 or later. Extensive liberalization of economy, as well as simplification of administrative procedures by introduction of e-government, both have largely contributed to this success. But some areas still are dark spots, where the old ways inherited from Soviet era nourish partocracy, secret political deals, unaccountability and disregard of public interest. Citizens perceive political parties as the most corrupt. Therefore the focus of the anti-corruption struggle currently is on regulating, careful monitoring and cross-checking of the political party finances, the assets of politicians and various chains that link decision makers to their donors. In the new anti-corruption strategy 2014-2020 special attention is paid to broadest possible public information, corruption awareness and citizen cooperation. For that purpose, government agencies will also reach out to Russian-language media, NGOs and online communities. A culture of prevention of corruption, including whistle blowing, will be supported. Fighting corruption in the security sector will be of growing importance, for preserving both the external and the internal freedom that Estonia enjoys. Besides, during 2014, attempts have also been taken to make sports, as well as the so far meagerly regulated lobbying sector, cleaner of corruption.

Protection of Human Rights : 7.7

Estonia has further improved its already high standing regarding human rights. It has reached the highest EU standards and, besides successful struggle against corruption, in this field too has been a leader among newly accessed member states. Freedom of thought and expression, of the media, or of religion or art or academic research, is well kept and respected. Access to information by the public or the entire relationship between the citizen and the state is built on different foundations than the one in Soviet times. Serious attempts are made to keep security forces checked by society. Sexual minorities enjoy better protection than elsewhere in Baltics. Among other measures, the Civil Cohabitation Act has been carried. Civil society organizations play a crucial role in shaping and safeguarding the system. In some of the remaining disputable fields, such as identity politics, changes have started. The Strategy of Integration and Social Cohesion in Estonia 2020 was adopted in 2014. It will be implemented by a “steering group” of governmental institutions and in cooperation with the EU. The already advanced yet recently slowed down integration of the Russian-speaking minority into citizenship and social life of the country is to continue via number of different policies, while plans are also made on how to facilitate the economic migrants’ integration. Holocaust denial has been increasingly opposed by the officials. Yet it survives in numerous niches, either through history exhibitions or via activities of the far-right political party EKRE, which made its way into the Parliament in 2014. Meanwhile, some other elements of the prevailing narrative on the WW2, such as the role of local Nazi collaborators, still require a review and a frank debate.

Economic Freedom

Security of Property Rights : 7.26

Property rights are well respected in Estonia. The state has the right of expropriation in certain cases in the public interest (mostly for building of public infrastructure), but this right is exercised and the property is exchanged for a market price compensation. The judiciary is independent and integrity of the legal system is not undermined. However, impartiality is not always observed in court rulings. Another weak link of the judicial system is enforcement of contracts, which is burdened with long processes and procedures, which make enforcing contracts in Estonia time-consuming and expensive. The police are mostly reliable and business costs of crime are low.

Size of Government: Expenditures, Taxes, and Enterprises : 6.69

Estonia has a government which is limited in scope. Government revenues stood at 38% of the GDP in 2014, which was lower than in most EU countries. Public debt was among the lowest in the world, below 10% of GDP, due to frugal budgetary policies prior to the economic crisis and to a strong package of fiscal consolidation implemented in 2009 to eliminate government borrowing. Thereafter, since 2010 budget has been almost balanced. Robust economic growth followed, coupled with fall in the unemployment rate. Estonia was the first country in Eastern Europe to

adopt the flat tax system, which is still used, albeit with minor progressive characteristics, due to limited basic exemption of the personal income of 1728 EMU (i.e. this amount of income is not taxable, but is included in the tax base for social security contributions). Personal income tax has been steadily decreasing during the previous decade, from 26% in 2004 to 21% in 2014, and was further lowered to 20% in 2015. The tax wedge stands as high as 40% of labour costs (slightly above the OECD average of 36%) due to high social security contributions for pensions and healthcare. Only a handful of companies are state owned, mostly in the field of transport: the main port, the railway system (which was renationalized), airport, the national post and the lottery. Subsidies are low, standing at 0.9% of the GDP.

Regulation of Credit, Labour, and Business : 7.34

Estonia has got business regulation that makes it, overall, a very much business friendly environment, which is the main reason why it is a home for many successful companies who grew up to become important international market players, mostly in technology sector, including IT, and why it is also among the countries with the highest number of entrepreneurs per capita. Starting a business is easy and cheap and compliance with tax regulation is among the best in the world, due to simple procedures and high usage of electronic tax filing. Obtaining construction permits and getting electricity is quick, although the latter could be expensive. There are few administrative or licensing requirements in conducting a daily business, which helped bring corruption to a low level. State institutions show a strong inclination to digital era tools, instead of the old fashioned paperwork – an innovative example of which is the electronic residency: basically, a foreign national entrepreneur residing abroad can easily register and run a company in Estonia, under its laws. Labour regulation is characterized by flexibility of the workplace, with little requirements and costs for redundancy workers, with short notice periods (one to three months), and with low severance pay (a monthly salary). Maximum working week is set at 5 days, with prolonged workweeks in case of workload increase, but with restrictions on the night work. Compulsory military service of 8 – 11 months is still present. The monthly minimum salary is approximately 40% of the average wage, which is at the higher end of its proposed level by the World Bank. It was increased approximately 10 percents as compared to the previous year.

Freedom to Trade Internationally : 8.8

International trade fosters production specialization, which is very important for small economies because seldom can they reach economy of scale. Therefore, it is not strange that Estonia, as a small economy, has been oriented to foreign trade more than many other European countries. Since the liberalization policy began in the '90-ies, it had pursued very liberal trade policy which had eliminated almost all tariffs and other free trade restrictions on such a scale that when it had joined the EU, in order to adopt the common European trade policy Estonia had actually to increase the overall level of its tariffs. This is in a sharp contrast to other new EU members, which all had to lower their tariffs, whereas the EU common trade policy was more liberal. Furthermore, net export has been a major source of growth of the Estonian economy after the deep recession in 2009. A good transportation infrastructure (apart from poor railway connections) is a strong contributor to fostering trade links and free trade, by significantly decreasing costs. Quick and easy administration allows for goods to be imported or exported with great efficiency, due to the minimum paperwork and costs (only 3 or 4 documents and just 5 to 6 days). Estonian main trade partners are its Nordic and Baltic neighbors, as well as Germany and the Russian Federation.